

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

FTX TRADING LTD., *et al.*,¹

Debtors.

Chapter 11

Case No. 22-11068 (KBO)

(Jointly Administered)

**DECLARATION OF STEVEN P. COVERICK IN SUPPORT OF
PROPOSED REDUCTION OF DISPUTED CLAIMS RESERVE AMOUNT**

I, Steven P. Coverick, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

I. Personal Qualifications

1. I am a Managing Director at Alvarez & Marsal North America, LLC (“A&M”), a restructuring advisory services firm specializing in interim management, crisis management, turnaround consulting, operational due diligence, creditor advisory services, and financial and operational restructuring.

2. I have more than ten years of restructuring and financial advisory experience across various industries, including cryptocurrency, energy, technology, media, telecommunications, logistics, and healthcare. I have a Bachelor’s Degree from the Kelley School of Business at Indiana University, am a CFA® charterholder, and am recognized as a Certified Turnaround Professional by the Turnaround Management Association.

¹ The last four digits of FTX Trading Ltd.’s and Alameda Research LLC’s tax identification numbers are 3288 and 4063, respectively. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://cases.ra.kroll.com/FTX>.

3. Since joining A&M, I have been involved in numerous Chapter 11 restructurings, including Seadrill Limited, iHeart Media Inc., White Star Petroleum Holdings, LLC, Templar Energy LLC, and Expro International Group Holdings Limited. I am the co-lead of the A&M engagement with the Debtors.

4. I submit this declaration (this “Declaration”) in support of the *Notice of Proposed Reduction of Disputed Claims Reserve Amount* (the “Notice”).² Except as otherwise indicated herein, all of the facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents and the Debtors’ books and records, information provided to me by professionals at A&M working under my supervision or other employees or advisors of the Debtors, and my opinions are based upon my experience and knowledge related to the Debtors’ operations, businesses, and financial condition. If called upon to testify, I could and would testify to the facts set forth herein on that basis. I am authorized to submit this Declaration on behalf of the Debtors.

5. I am not being compensated separately for this testimony other than through payments received by A&M as financial advisor retained by the Debtors.

II. The FTX Recovery Trust’s Claims Reconciliation Efforts

6. As of the filing of this Declaration, the FTX Recovery Trust has reconciled approximately \$8.3 billion of Claims. To reconcile Claims, the FTX Recovery Trust and its advisors (including counsel) have, among other things, been reviewing each Claim against the Debtors’ books and records to determine the validity and appropriate amount of each Claim, seeking and analyzing supporting documentation associated with such Claim, evaluating

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Notice or the Plan, as applicable.

applicable law implicated by such Claim, and, where appropriate, objecting to such Claim and/or engaging in negotiations with the Holder of such Claim.

7. To date, the Debtors and the FTX Recovery Trust have filed 186 omnibus claims objections seeking to disallow and expunge, reclassify, or reduce over 36,400 asserted Claims in excess of \$27 quintillion. The FTX Recovery Trust's reconciliation process is significant and remains ongoing.

8. The Disputed Claims Reserve Amount is currently \$6.533 billion (the "Original Reserve Amount"). Since the establishment of the Disputed Claims Reserve, these reconciliation and expungement efforts have led to a net reduction of approximately \$1.79 billion of Disputed Claims, excluding reductions to the contingency. Approximately \$1.85 billion of Disputed Claims have become Allowed due to reconciliation, settlement and KYC verification, and approximately \$1.41 billion of Disputed Claims have been expunged or modified. Of the \$1.41 billion expunged Disputed Claims, approximately \$950 million were expunged or modified pursuant to settlements, omnibus claims objection orders and reserve reductions consistent with the methodology used to establish the Original Reserve Amount, approximately \$100 million from claim negotiations and approximately \$360 million related to expungements pursuant to the March 1, 2025 and June 1, 2025 KYC commencement deadlines set forth in the *Order Sustaining Debtors' One Hundred Thirtieth (Non-Substantive) Omnibus Objection to Unverified Customer Entitlement Claims* [D.I. 29464].

9. These reductions are offset by approximately \$1.47 billion of additional Claims that have become Disputed since the establishment of the Disputed Claims Reserve. Approximately \$470 million relate to Claims where the Holder may be subject to sanctions and/or

reside in jurisdictions with laws and regulations that restrict cryptocurrency transactions;³ approximately \$290 million were previously considered to be Allowed but became Disputed Claims primarily for failure to complete KYC in The Bahamas; the FTX Recovery Trust has flagged an additional \$660 million for potential litigation and others have become Disputed as a result of ongoing reconciliation and analysis.

III. The Proposed Reduction of the Disputed Claims Reserve Amount

10. In light of the reconciliation and expungement efforts since the establishment of the Disputed Claims Reserve and based on all of the information currently available to the FTX Recovery Trust, the FTX Recovery Trust submits that the Original Reserve Amount should be reduced by \$1.93 billion to \$4.599 billion (the “Revised Reserve Amount”).

11. As with the determination of the Original Reserve Amount, the FTX Recovery Trust used a rigorous process to determine the appropriate Revised Reserve Amount. The FTX Recovery Trust did not start with any “target” in mind. Rather, the FTX Recovery Trust and their advisors (including counsel) determined the appropriate Revised Reserve Amount based on (i) an analysis of the Debtors’ books, records and accounting system; (ii) scheduled Claims; (iii) filed proofs of claim and their supporting documentation; (iv) communications and agreements, if any, with claimants; (v) legal considerations associated with the Claims; (vi) expungements, objections, settlements and other reconciliations of Claims to date; and (vii) other relevant factors.

12. Informed by this work, the FTX Recovery Trust in its business judgment determined that reducing the Original Reserve Amount by \$1.93 billion to \$4.559 billion is reasonable. The Revised Reserve Amount is based on intentionally conservative assumptions, and

³ The FTX Recovery Trust anticipates filing a motion seeking Court authorization to implement procedures relating to payment of Claims to Holders subject to potential sanctions and/or reside in restricted jurisdictions.

as described below and detailed in Exhibit 1 hereto, includes approximately \$1.9 billion of remaining Disputed Claims over and above the amounts that the FTX Recovery Trust project will ultimately become Allowed Claims. The FTX Recovery Trust believes that the Revised Reserve Amount strikes a careful and reasonable balance between enabling the FTX Recovery Trust to continue making distributions to the Holders of all Allowed Claims while not jeopardizing the potential recoveries to claimants holding Disputed Claims in the event such claims subsequently become Allowed Claims.

13. All Disputed Claims will continue to have recourse to the Disputed Claims Reserve and the entirety of the Revised Reserve Amount, subject to the terms and provisions of the Plan.

14. Lastly, notwithstanding the conservative assumptions made with respect to the Disputed Claims, the FTX Recovery Trust is maintaining approximately \$350 million of contingency to further protect those claims that are unliquidated or included at less than the full asserted Claim amount. This represents nearly a \$150 million reduction from the original \$500 million of contingency in the Original Reserve Amount.

15. My conclusion, based on all of the information currently available to the FTX Recovery Trust, is that the Revised Reserve Amount that includes \$1.9 billion over and above the FTX Recovery Trust's projections with respect to liability for Disputed Claims is conservative and reasonable under the circumstances.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: June 27, 2025

/s/ Steven P. Coverick

Steven P. Coverick
Alvarez & Marsal North America, LLC
Managing Director

Exhibit 1: Disputed Claims Reserve**Claims and Reserves**

USD in Millions		Disputed Claims Reserve				Total Claims and Reserve [A + D = E]	Financial Projections [F]	Excess to Fin. Projections [E - F = G]
Class Ref:	Allowed / Reconciled [A]	Estimated Allowed [B]	Estimated Disallowed [C]	Total Disputed Claims Reserve [B + C = D]				
Class 5A	\$ 6,606	\$ 1,822	\$ 1,485	\$ 3,308	\$ 9,913	\$ 8,026	\$ 1,888	
Class 5B	120	34	4	38	158	168	(11)	
Total Class 5	\$ 6,725	\$ 1,857	\$ 1,489	\$ 3,346	\$ 10,071	\$ 8,194	\$ 1,877	
Class 6A	287	683	150	834	1,120	1,133	(13)	
Class 6B	574	27	14	41	615	642	(27)	
Total Class 6	\$ 861	\$ 711	\$ 164	\$ 875	\$ 1,736	\$ 1,776	\$ (40)	
Class 7A	630	106	241	347	977	864	113	
Class 7B	81	11	19	30	111	144	(33)	
Class 7C	2	1	0	1	2	3	(0)	
Total Class 7	\$ 713	\$ 118	\$ 260	\$ 378	\$ 1,091	\$ 1,011	\$ 80	
Total	\$ 8,299	\$ 2,685	\$ 1,914	\$ 4,599	\$ 12,898	\$ 10,981	\$ 1,917	

Claims by Count

		Disputed Claims Reserve			Total Claims and Reserve	Financial Projections	Excess to Fin. Projections
Class Ref:	Allowed / Reconciled	Estimated Allowed	Estimated Disallowed	Total Disputed Claims Reserve			
	[A]	[B]	[C]	[B + C = D]	[A + D = E]	[F]	[E - F = G]
Class 5A	7,949	2,051	607	2,658	10,607	10,463	144
Class 5B	388	109	28	137	525	581	(56)
Total Class 5	8,337	2,160	635	2,795	11,132	11,044	88
Class 6A	96	92	60	152	248	157	91
Class 6B	25	9	2	11	36	63	(27)
Total Class 6	121	101	62	163	284	220	64
Class 7A	161,222	27,602	9,936	37,538	198,760	451,494	(252,734)
Class 7B	31,332	2,897	408	3,305	34,637	167,428	(132,791)
Class 7C	159	32	23	55	214	210	4
Total Class 7	192,713	30,531	10,367	40,898	233,611	619,132	(385,521)
Total	201,171	32,792	11,064	43,856	245,027	630,396	(385,369)